

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AF-06 ARA-06 EA-06 NEA-09 RSC-01 AID-05

CEA-01 CIAE-00 COME-00 EB-07 FRB-01 INR-07 IO-10

NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01

OMB-01 AEC-05 DODE-00 FEAE-00 FPC-01 H-01 INT-05 L-02

NSC-05 PM-03 SAM-01 OES-03 SS-15 STR-01 PA-01 PRS-01

USIA-06 XMB-02 /136 W

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FM USMISSION OECD PARIS

TO SECSTATE WASH DC 4965

S E C R E T SECTION 01 OF 02 OECD PARIS 00831

E.O. 11652: XGDS-1

TAGS: ENRG, OPEC, EFIN, EAID

SUBJECT: DAC CHAIRMAN'S VISIT TO IRAN: MINISTER AMOUZEGAR  
ON OPEC NEGOTIATING ISSUES

REF: OECD PARIS 00686

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1. SUMMARY: DAC CHAIRMAN WILLIAMS' REPORT ON IRAN'S  
ECONOMIC ASSISTANCE PROGRAM FOLLOWING HIS VISIT TO  
TEHRAN TRANSMITTED REFTEL. ADDITIONAL INFORMATION ON  
OPEC ISSUES FROM MINISTER AMOUZEGAR DURING LUNCHEON  
CONVERSATION FOLLOW. END SUMMARY.

2. OPEC PREPARATION FOR MEETING WITH OIL CONSUMERS:  
AGREEMENT REACHED THAT FOUR COUNTRIES WOULD REPRESENT  
OIL PRODUCERS: SAUDI ARABIA, ALGERIA (WHO INSISTED ON  
BEING PRESENT), VENEZUELA, AND IRAN. IF A FIFTH IS  
NEEDED IT WOULD PROBABLY BE KUWAIT OR LIBYA. THE CON-

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SUMERS WILL PROBABLY BE REPRESENTED BY FIVE AND THE U.K.

WILL BE AMONG THEM.

3. OIL PRICE AND LEVEL OF CONSUMPTION: OIL PRODUCERS WILL WELCOME REDUCED CONSUMPTION OF OIL BY CONSUMERS SINCE IT IS IN EVERYBODY'S INTEREST TO CONSERVE NON-REPLACEABLE RESOURCES. CONSUMERS CAN RELIEVE THEIR EXTERNAL PAYMENTS BY REDUCED CONSUMPTION, THAT OPEC COUNTRIES UNDERSTAND BUT THEY CANNOT UNDERSTAND HOW CONSUMERS THINK A POLICY OF REDUCED CONSUMPTION CAN STRENGTHEN THEIR HAND IN NEGOTIATING PRICE REDUCTION. PRODUCTION CAN BE CUT BACK ON BASIS OF NEED TO CONSERVE AND HENCE PRICE WOULD BE MAINTAINED. ONLY BY MAINTENANCE OF A HIGH PRICE FOR OIL CAN CONSUMERS REDUCE THEIR DEPENDENCE ON OPEC OIL IMPORTS, AND LOGICALLY, OPEC COUNTRIES SUPPORT DEVELOPMENT OF ALTERNATIVE SOURCES OF OIL, AGAIN TO CONSERVE THEIR OWN OIL IN THE GROUND.

4. U.K. AND OIL PRICE ISSUE: U.K. SITUATION IS INTERESTING TO OPEC COUNTRIES SINCE U.K. NEEDS ASSURANCE THAT LONG-TERM PRICE OF OIL WILL BE AT ABOUT ELEVEN DOLLARS A BARREL IN ORDER TO BRING IN NORTH SEA OIL AND COVER COSTS. PRODUCTION COSTS OF NORTH SEA OIL ARE NOW ESTIMATED AT SIX DOLLARS A BARREL (COMPARED TO 15 CENTS A BARREL FOR OPEC OIL), AND NORTH SEA PRODUCTION COSTS WILL PROBABLY INCREASE TO AT LEAST EIGHT DOLLARS A BARREL BY 1980. HENCE, THE U.K. NEEDS LOW-PRICED OIL NOW FOR BALANCE OF PAYMENTS REASONS, AND HIGH PRICED OIL AFTER 1980. IRAN HAS OFFERED TO SUPPLY THE U.K. WITH IRANIAN OIL IN THE NEXT FEW YEARS ON A STRAIGHT OIL BARTER BASIS WITH DEFERRED REPAYMENT IN THE SAME QUANTITIES OF NORTH SEA OIL AFTER 1980, AND WITHOUT CHARGING INTEREST ON THE DEFERRED REPAYMENT. WHEN ASKED IF THIS WAS A SERIOUS PROPOSAL, AMOUZEGAR SAID HE HAD MADE THE PROPOSAL INFORMALLY TO LEVER, AND THAT IRAN WOULD BE PREPARED TO NEGOTIATE IF THERE WAS

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ANY INTEREST.

5. OPEC SECRETARIAT: OPEC MINISTERS DID NOT TAKE THE OPEC SECRETARIAT SERIOUSLY SINCE IT WAS LARGELY A DUMPING GROUND FOR MEN WHO WERE NOT USEFUL AT HOME. ALL IMPORTANT STAFF WORK WAS DONE BY CONSULTANTS FROM THE WESTERN COUNTRIES. AMOUZEGAR HAD PROPOSED THAT THE OPEC SECRETARIAT BE STAFFED ON A PERMANENT BASIS WITH WESTERN CONSULTANTS BUT ARAB OPEC MEMBERS WERE TOO SUSPICIOUS TO AGREE. THERE WAS NO DANGER REALLY SINCE ALL IMPORTANT OPEC NEGOTIATING POSITIONS AND DECISIONS WERE HANDLED BY OPEC MINISTERS MEETING TOGETHER WITHOUT SECRETARIES OR STAFF, AND DECISIONS AND MINUTES WERE RECORDED BY EACH INDIVIDUAL MINISTER IN HIS OWN HAND.

6. FROM DISCUSSIONS WITH SEVERAL IRANIAN MINISTERS I GAINED IMPRESSION THAT IRANIANS VIEWED GERMANS AS OVERLY WORRIED, U.K. SITUATION AS TRULY SERIOUS AND HENCE  
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WORRISOME, AND MOST ADMIRER WERE THE FRENCH AMONG EUROPEAN COUNTRIES. IRANIAN OFFICIALS APPEAR TO HAVE A KEEN INTEREST IN DIFFERENCES BETWEEN THE U.S. AND FRANCE ON ENERGY ISSUES, AND THE POTENTIAL SUCH DIFFERENCES OFFER TO SUSTAIN IRANIAN OBJECTIVES.  
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